Community Financial System (CBU)

Updated May 4th, 2026, by Josh Arnold

Key Metrics

Current Price:	$64	**5 Year CAGR Estimate:**	16.4%	**Market Cap:**	$3.3 B
Fair Value Price:	$69	**5 Year Growth Estimate:**	13.0%	**Ex-Dividend Date:**	06/15/2026
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.5%	**Dividend Payment Date:**	07/10/2026
Dividend Yield:	2.9%	**5 Year Price Target**	$127	**Years Of Dividend Growth:**	33
Dividend Risk Score:	C	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Community Financial System was formed in 1983 and since that time, it has expanded to become a diversified financial services company with more than 200 locations in the northeastern U.S. Its principal business is traditional community banking, but it also owns a large benefits administration business, in addition to offering a variety of insurance products. Its market capitalization is $3.3 billion, and it produces about $900 million in annual revenue.

Community Financial posted first quarter earnings on April 29th, 2026, and results were mixed. The bank beat on adjusted earnings-per-share, which came in six cents ahead of estimates at $1.15. However, revenue was weak, growing 8.7% year-over-year to $213.3 million, but missing by $2.7 million.

Net interest income was $135 million, a $1.3 million increase over the fourth quarter, and the eight consecutive quarter of net interest income expansion. Net interest margin was up six basis points from 3.39% to 3.45%, driven by lower funding costs.

Provisions for credit losses came to $5.6 million. Noninterest expense was $133 million, down $5.5 million from the fourth quarter.

Loans ended the quarter up 1.7% or $181 million, while deposits were up 3.4% or $483 million.

We have kept our estimate of earnings-per-share unchanged after Q1 results at $4.75.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$2.32	$2.55	$3.23	$3.28	$3.24	$3.49	$3.58	$3.35	$3.43	$4.04	***$4.75***	***$8.75***
DPS	$1.26	$1.34	$1.44	$1.58	$1.66	$1.70	$1.76	$1.78	$1.82	$1.86	***$1.88***	***$2.08***
Shares[1]	44	49	51	52	54	54	54	53	53	53	***53***	***53***

Earnings-per-share have been volatile in the past decade but in recent years, growth has been steadier. We see that continuing as the bank is focused on profitable growth, but we forecast 13% earnings-per-share growth annually. We are less cautious given interest rate headwinds have abated, and CBU stands to benefit greatly should that continue. We see interest rates, as well as higher loan balances as drivers for earnings growth.

Community Financial System continues to see earnings tailwinds from very low deposit funding costs and organic revenue growth, as well as a constant flow of acquisitions. Growth-by-acquisition is generally tough in the financial services industry, but Community Financial System has proven adept at executing this strategy over time, and this should be the primary growth driver going forward. Community Financial System is performing well, but its lending margins are already strong, so we think upside from there is somewhat limited. However, credit quality remains favorable, and the loan-to-deposit ratio provides some additional leverage for growth in the future.

Dividend growth has been moderate, but management appears to be willing to pay out half of earnings or more on the dividend. We see modest dividend growth ahead given the pace of earnings growth.

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[1] Share count in millions

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	18.9	17.8	18.3	19.5	18.5	21.1	17.6	15.6	18.0	14.2	***13.5***	***14.5***
Avg. Yld.	2.9%	2.5%	2.4%	2.5%	2.8%	2.3%	2.8%	3.4%	3.0%	3.2%	***2.9%***	***1.6%***

Community Financial System's price-to-earnings multiple has moved around significantly in the past decade as its fortunes have improved and deteriorated. We set our target valuation at 14.5 times earnings given the sector is seeing better valuations applied by investors. As the stock trades just below that, we see a small tailwind from the valuation. We see the dividend yield at 1.6% in five years, lower than today's levels as we think the share price will markedly outpace growth in the dividend.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	54%	53%	45%	48%	51%	49%	49%	53%	53%	46%	***40%***	***24%***

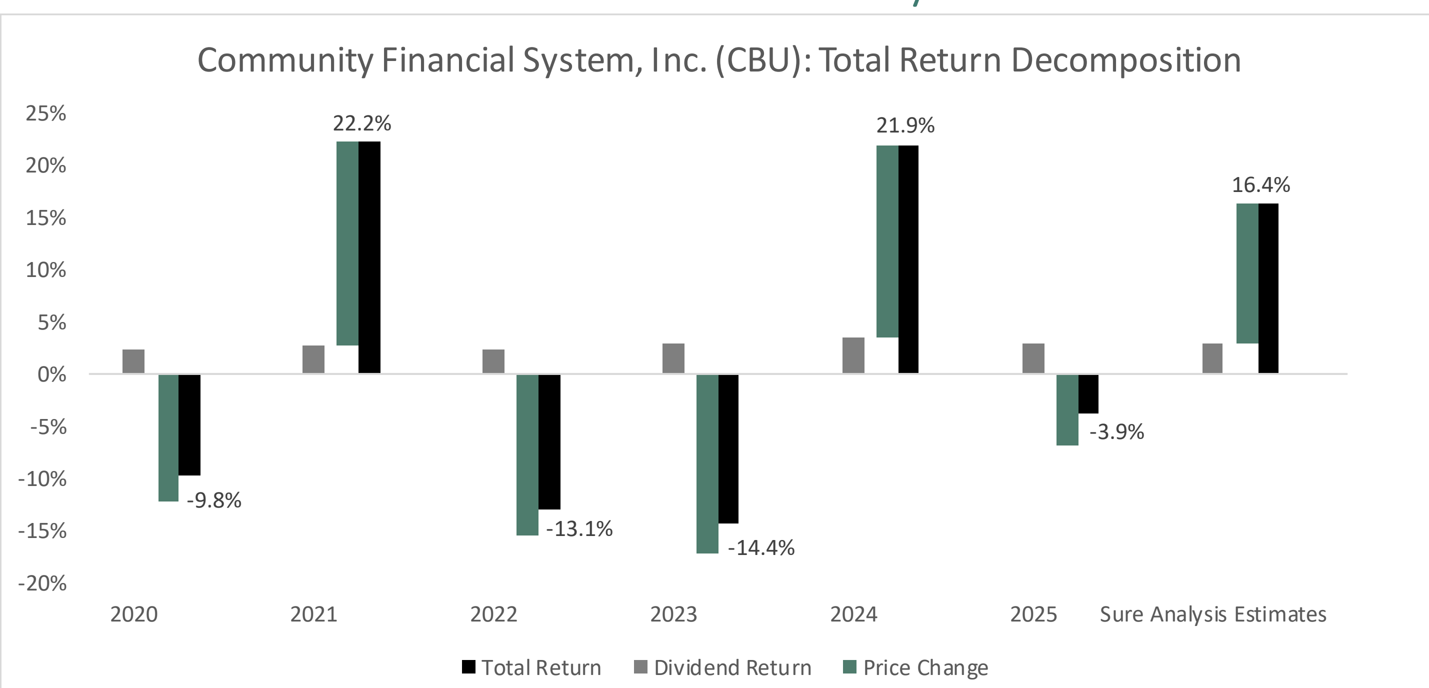
We see the payout ratio remaining well under half of earnings for the foreseeable future. The bank's impressive dividend streak appears to be safe at this point, and we see many more years of increases coming, even if a recession strikes. Payout growth rates should be low, however, given management's past tendencies.

Community Financial System's competitive advantage is its dominant market position in many of its service areas. It competes in areas that have sparse levels of competition and thus the company is able to hold strong market share in those locations, with many at or above a third of total market deposits. That does not make it immune to recessions, but its strong performance means it can be an acquirer during downturns, softening the blow of economic weakness.

Final Thoughts & Recommendation

Overall, Community Financial's total returns look further improved since our last report. We forecast total annual returns of 16.4%, and we're reiterating the stock at a hold rating. The 2.9% yield is attractive at more than double the S&P 500, and the growth outlook for the bank remains strong.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	430	518	569	590	596	621	679	652	746	818
SG&A Exp.	198	234	256	273	274	302	257	298	317	---
D&A Exp.	20	33	34	32	31	30	38	28	29	30
Net Profit	104	151	169	169	165	190	188	137	182	210
Net Margin	24.2%	29.1%	29.6%	28.7%	27.6%	30.6%	27.7%	20.9%	24.5%	25.7%
Free Cash Flow	123	179	209	197	165	189	202	210	222	233
Income Tax	51	9	44	40	41	52	52	38	54	65

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	8666	10746	10607	11410	13931	15553	15836	15555	16386	17303
Cash & Equivalents	174	221	212	205	1646	1875	210	191	197	302
Accounts Receivable	31	36	31	32	39	36	53	55	54	---
Goodwill & Int. Ass.	481	825	807	837	847	864	903	898	901	943
Total Liabilities	7468	9111	8894	9555	11827	13452	14284	13852	14623	15297
Accounts Payable	144	181	157	215	231	211	134	159	---	---
Long-Term Debt	248	149	154	103	87	330	791	461	737	459
Shareholder's Equity	1198	1635	1714	1855	2104	2101	1552	1703	1763	2006
LTD/E Ratio	0.21	0.09	0.09	0.06	0.04	0.16	0.51	0.27	0.42	0.34

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	1.2%	1.6%	1.6%	1.5%	1.3%	1.3%	1.2%	0.9%	1.1%	1.2%
Return on Equity	8.9%	10.6%	10.1%	9.5%	8.3%	9.0%	10.3%	8.4%	10.5%	11.2%
ROIC	6.9%	9.3%	9.2%	8.8%	7.4%	8.2%	8.5%	6.1%	7.8%	7.6%
Shares Out.	44	49	51	52	54	54	54	54	53	53
Revenue/Share	9.66	10.47	11.00	11.29	11.15	11.39	12.53	12.08	14.07	19.13
FCF/Share	2.77	3.62	4.03	3.77	3.10	3.48	3.72	3.91	4.19	4.42

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.